

CITY OF BELLE PLAINE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

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City of Belle Plaine

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Fish	Mayor	Jan 2020
Mary Pech	Mayor Pro Tem	Jan 2020
Judy Schlesselman	Council Member	Jan 2022
Mark Tegeler	Council Member	Jan 2022
Mitch Malcolm	Council Member	Jan 2022
Andy Neuhaus ***	Council Member	Resigned
Jeff Horne*	City Administrator	Resigned
Steve Beck**	City Administrator	Indefinite
Jacki McDermott	City Clerk	Indefinite
Sandy Walton	Assistant City Clerk	Indefinite
Jennifer Zahradnik	City Attorney	Indefinite

* - Resigned in August, 2019.

** - Appointed in November, 2019.

*** - Resigned in August, 2019

(After January 2020)

Dave Fish	Mayor	Jan 2024
Mary Pech	Mayor Pro Tem	Jan 2024
Judy Schlesselman	Council Member	Jan 2022
Mark Tegeler	Council Member	Jan 2022
Mitch Malcolm	Council Member	Jan 2022
Garrett Landuyt	Council Member	Jan 2024
Steve Beck	City Administrator	Indefinite
Jacki McDermott	City Clerk	Indefinite
Sandy Walton	Assistant City Clerk	Indefinite
Jennifer Zahradnik	City Attorney	Indefinite

City of Belle Plaine



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa, (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2020, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2019 (which is not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the six years ended June 30, 2016 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 26 through 30, has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



FALLER, KINCHELOE & CO., PLC

January 19, 2021

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 519,928	23,320	5,706	-	(490,902)	-	(490,902)
Public works	304,899	-	325,716	-	20,817	-	20,817
Health and social services	11,988	-	9,483	-	(2,505)	-	(2,505)
Culture and recreation	294,614	48,722	49,091	2,856	(193,945)	-	(193,945)
Community and economic development	60,220	25	6,698	-	(53,497)	-	(53,497)
General government	280,141	24,918	21,587	-	(233,636)	-	(233,636)
Debt service	416,932	-	-	-	(416,932)	-	(416,932)
Capital projects	72,737	-	-	25,673	(47,064)	-	(47,064)
Total governmental activities	1,961,459	96,985	418,281	28,529	(1,417,664)	-	(1,417,664)
Business type activities:							
Water	326,003	347,953	43,048	-	-	64,998	64,998
Sewer	442,286	491,835	49,164	-	-	98,713	98,713
Garbage	281,171	240,201	-	-	-	(40,970)	(40,970)
Storm water	24,529	57,962	-	-	-	33,433	33,433
Yard waste	18,489	27,539	-	-	-	9,050	9,050
Airport	33,869	25,260	16,307	11,563	-	19,261	19,261
Total business type activities	1,126,347	1,190,750	108,519	11,563	-	184,485	184,485
Total	\$ 3,087,806	1,287,735	526,800	40,092	(1,417,664)	184,485	(1,233,179)
General Receipts and Transfers:							
Property tax and other city tax levied for:							
General purposes					872,931	-	872,931
Debt service					184,900	-	184,900
Tax increment financing					161,128	-	161,128
Local option sales tax					203,001	-	203,001
Commercial/industrial tax replacement					33,754	-	33,754
Unrestricted interest on investments					4,871	-	4,871
Miscellaneous					105	-	105
Sale of capital assets					5,000	-	5,000
Transfers					71,160	(71,160)	-
Total general receipts and transfers					1,536,850	(71,160)	1,465,690
Change in cash basis net position					119,186	113,325	232,511
Cash basis net position beginning of year					1,287,214	125,954	1,413,168
Cash basis net position end of year					\$ 1,406,400	239,279	1,645,679
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Donovan Trust					\$ 443,567	-	443,567
Expendable:							
Urban renewal purposes					546	-	546
Library improvements					242,339	-	242,339
Debt service					117,836	-	117,836
Other purposes					525,281	11,721	537,002
Unrestricted					76,831	227,558	304,389
Total cash basis net position					\$ 1,406,400	239,279	1,645,679

See notes to financial statements.

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue				Permanent			Total
	General	Road Use Tax	Employee Benefits	Library Improve- ments	Debt Service	Capital Projects	Donovan Trust	Nonmajor
Receipts:								
Property tax	\$ 643,010	-	201,841	-	184,900	-	-	8,444
Tax increment financing	-	-	-	-	-	-	-	161,128
Other city tax	-	-	-	-	44,528	-	-	178,111
Licenses and permits	19,020	-	-	-	-	-	-	19,020
Use of money and property	9,662	-	-	2,856	-	-	6,698	31,616
Intergovernmental	49,381	325,716	6,213	8,197	5,452	-	-	405,103
Charges for service	19,846	-	-	-	-	-	-	19,871
Special assessments	13,725	-	-	-	-	-	-	13,725
Miscellaneous	47,035	-	-	15,506	-	25,674	-	93,188
Total receipts	801,679	325,716	208,054	26,559	234,880	25,674	6,698	2,004,485
Disbursements:								
Operating:								
Public safety	355,257	-	84,364	-	-	-	-	519,928
Public works	6,278	266,241	26,970	-	-	-	-	304,899
Health and social services	4,320	-	-	-	-	-	-	11,988
Culture and recreation	220,490	-	32,936	20,435	-	-	639	294,614
Community and economic development	673	-	-	-	-	-	-	60,220
General government	253,834	-	20,301	-	-	-	2,802	280,141
Debt service	-	-	-	-	416,932	-	-	416,932
Capital projects	-	-	-	-	-	13,716	-	72,737
Total disbursements	840,852	266,241	164,571	20,435	416,932	13,716	3,441	1,961,459
Excess (deficiency) of receipts over (under) disbursements	(39,173)	59,475	43,483	6,124	(182,052)	11,958	3,257	43,026
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	5,000
Transfers in	9,000	57,555	-	-	293,543	66,779	-	493,206
Transfers out	(92,780)	-	-	-	-	(32,308)	-	(422,046)
Total other financing sources (uses)	(83,780)	57,555	-	-	293,543	34,471	-	76,160
Change in cash balances	(122,953)	117,030	43,483	6,124	111,491	46,429	3,257	119,186
Cash balances beginning of year	199,784	(117,030)	(39,927)	236,215	6,345	137,837	440,310	1,287,214
Cash balances end of year	\$ 76,831	-	3,556	242,339	117,836	184,266	443,567	1,406,400
Cash Basis Fund Balances								
Nonspendable - Donovan Trust	\$ -	-	-	-	-	-	443,567	443,567
Restricted for:								
Urban renewal purposes	-	-	-	-	-	-	-	546
Library improvements	-	-	-	242,339	-	-	-	242,339
Debt service	-	-	-	-	117,836	-	-	117,836
Other purposes	-	-	3,556	-	-	184,266	-	525,281
Unassigned	76,831	-	-	-	-	-	-	76,831
Total cash basis fund balances	\$ 76,831	-	3,556	242,339	117,836	184,266	443,567	1,406,400

See notes to financial statements.

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds**

As of and for the year ended June 30, 2020

	Enterprise						Total
	Water	Sewer	Garbage	Storm Water	Yard Waste	Nonmajor - Airport	
Operating receipts:							
Charges for service	\$ 347,953	491,835	240,201	57,962	27,539	25,260	1,190,750
Miscellaneous	43,048	49,164	-	-	-	16,307	108,519
Total operating receipts	391,001	540,999	240,201	57,962	27,539	41,567	1,299,269
Operating disbursements:							
Business type activities	250,115	248,738	281,171	24,529	18,489	33,869	856,911
Total operating disbursements	250,115	248,738	281,171	24,529	18,489	33,869	856,911
Excess (deficiency) of operating receipts over (under) operating disbursements	140,886	292,261	(40,970)	33,433	9,050	7,698	442,358
Non-operating receipts (disbursements):							
Intergovernmental	-	-	-	-	-	11,563	11,563
Debt service	-	(192,906)	-	-	-	-	(192,906)
Capital projects	(75,888)	(642)	-	-	-	-	(76,530)
Net non-operating receipts (disbursements)	(75,888)	(193,548)	-	-	-	11,563	(257,873)
Excess (deficiency) of receipts over (under) disbursements	64,998	98,713	(40,970)	33,433	9,050	19,261	184,485
Other financing sources (uses):							
Transfers in	-	-	-	-	-	9	9
Transfers out	(49,825)	(21,344)	-	-	-	-	(71,169)
Total other financing sources (uses)	(49,825)	(21,344)	-	-	-	9	(71,160)
Change in cash balances	15,173	77,369	(40,970)	33,433	9,050	19,270	113,325
Cash balances beginning of year	(118,385)	(75,741)	69,284	116,257	94,258	40,281	125,954
Cash balances end of year	\$ (103,212)	1,628	28,314	149,690	103,308	59,551	239,279
Cash Basis Fund Balances							
Restricted for customer deposits	\$ 11,721	-	-	-	-	-	11,721
Unrestricted	(114,933)	1,628	28,314	149,690	103,308	59,551	227,558
Total cash basis fund balances	\$ (103,212)	1,628	28,314	149,690	103,308	59,551	239,279

See notes to financial statements.

City of Belle Plaine

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Belle Plaine (City) is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general governmental services. The City also provides water, sewer and solid/yard waste utilities for its citizens.

A. Reporting Entity

For reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Belle Plaine (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Discretely Presented Component Units

The Belle Plaine Fire Department Foundation, Inc. (Fire Department Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fire Department Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or help by the Fire Department Foundation are substantially for the direct benefit of the City of Belle Plaine.

The Belle Plaine Community Library Foundation, Inc. (Library Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the Belle Plaine Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Library Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or help by the Library Foundation are substantially for the direct benefit of the City of Belle Plaine.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Benton County Joint E911 Service Board, Benton County Emergency Operations Commission and Benton County Iowa Solid Waste Disposal Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the employee benefits tax levy used to fund pension and related employee benefits.

The Library Improvements Fund is used to account for monies received and costs incurred for the improvements to the Library.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds.

The City reports the following major permanent fund:

The Donovan Trust Fund is used to report resources that are legally restricted to the extent that only earnings and not principal may be used for the beautification of the City.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's garbage system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

The Enterprise, Yard Waste Fund accounts for the operation for the City's yard waste program.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements: Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, public works, health and social services, community and economic development, general government and the capital projects functions prior to the June 29, 2020 budget amendment. In addition, during the year ended June 30, 2020, disbursements exceeded the amount budgeted in the capital projects function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

At June 30, 2020, the City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds and Notes Payable

A summary of changes in bonds and note payable for the year ended June 30, 2020 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Direct placements:					
General Obligation Bonds and Notes	\$ 429,000	-	90,000	339,000	93,000
General Obligation Bonds and Notes	2,600,000	-	255,000	2,345,000	255,000
Governmental activities total	\$ 3,029,000	-	345,000	2,684,000	348,000
Business type activities:					
Direct borrowings:					
Sewer Revenue Bonds	\$ 2,695,310	-	139,000	2,556,310	141,000
Business-type activities total	\$ 2,695,310	-	139,000	2,556,310	141,000

Direct Placements - General Obligation Bonds and Notes

A summary of the City's June 30, 2020 direct placements general obligation bonds and notes payable is as follows:

Year Ending June 30,	Economic Development Series 2014A			Building Restoration Series 2014B		
	Issued April 15, 2014			Issued April 15, 2014		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2021	2.60%	\$ 26,000	2,834	3.90%	\$ 22,000	3,549
2022	2.60%	27,000	2,158	3.90%	22,000	2,691
2023	2.60%	28,000	1,456	3.90%	23,000	1,833
2024	2.60%	28,000	728	3.90%	24,000	936
		<u>\$ 109,000</u>	<u>7,176</u>		<u>\$ 91,000</u>	<u>9,009</u>

Year Ending June 30,	Water Improvement Note Series 2018			Total		
	Issued November 1, 2018					
	Interest					
	Rates	Principal	Interest	Principal	Interest	Total
2021	3.75%	\$ 45,000	5,213	93,000	11,596	104,596
2022	3.75%	46,000	3,525	95,000	8,374	103,374
2023	3.75%	48,000	1,800	99,000	5,089	104,089
2024		-	-	52,000	1,664	53,664
		<u>\$ 139,000</u>	<u>10,538</u>	<u>339,000</u>	<u>26,723</u>	<u>365,723</u>

On April 15, 2014, the City issued \$250,000 of general obligation economic development note with an interest rate of 2.60% per annum. The notes were issued to fund an economic development grant to the Belle Plaine Economic Development Corporation in connection with the main street improvement project. During the year ended June 30, 2020, the City paid \$26,000 of principal and \$3,510 of interest on the bonds.

On April 15, 2014, the City issued \$200,000 of general obligation building restoration note with an interest rate of 3.90% per annum. The notes were issued to fund an economic development grant to the Belle Plaine Economic Development Corporation in connection with the main street improvement project. During the year ended June 30, 2020, the City paid \$21,000 of principal and \$4,368 of interest on the bonds.

On November 1, 2018, the City issued \$227,000 of general obligation water improvement note with an interest rate of 3.75% per annum. The note was issued to fund water improvements to the City's water system. During the year ended June 30, 2020, the City paid \$43,000 of principal and \$6,825 of interest on the note.

General Obligation Bonds and Notes

A summary of the City's June 30, 2020 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Refunding Series 2015A			Refunding Series 2016A		
	Issued April 23, 2015			Issued November 1, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.00%	\$ 125,000	32,638	1.70%	\$ 130,000	18,955
2022	2.30%	130,000	30,138	1.70%	135,000	16,745
2023	2.30%	130,000	27,148	1.70%	135,000	14,450
2024	2.55%	130,000	24,157	1.70%	140,000	12,155
2025	2.55%	135,000	20,843	1.70%	140,000	9,775
2026-2029	3.00%	580,000	43,950	1.70%	435,000	14,790
		<u>\$ 1,230,000</u>	<u>178,874</u>		<u>\$ 1,115,000</u>	<u>86,870</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 255,000	51,593	306,593
2022	265,000	46,883	311,883
2023	265,000	41,598	306,598
2024	270,000	36,312	306,312
2025	275,000	30,618	305,618
2026-2029	1,015,000	58,740	1,073,740
	<u>\$ 2,345,000</u>	<u>265,744</u>	<u>2,610,744</u>

On April 23, 2015, the City issued \$1,715,000 of general obligation refunding bonds with interest rates ranging from 1.10% to 3.00% per annum. The bonds were issued to currently refund the City's outstanding General Obligation Corporate Purpose Bonds, Series, 2008, to crossover refund the City's outstanding General Obligation Aquatic Center Bonds, Series 2009, and to pay the costs of issuance of the Bonds. During the year ended June 30, 2020, the City paid \$125,000 of principal and \$35,137 of interest on the bonds.

On November 1, 2016, the City issued \$1,245,000 of general obligation refunding bonds with an interest rate of 1.70% per annum. The bonds were issued to crossover refund the City's outstanding General Obligation Corporate Purpose Bonds, Series 2011A, and to pay the costs of issuance of the Bonds. During the year ended June 30, 2020, the City paid \$130,000 of principal and \$21,165 of interest on the bonds.

Direct Borrowings - Revenue Bonds

A summary of the City's June 30, 2020 direct borrowings revenue bonds payable are as follows:

Year Ending June 30,	Sewer		Total		
	Issued December 22, 2017		Principal	Interest	Total
	Principal	Interest			
2021	\$ 141,000	44,735	141,000	44,735	185,735
2022	144,000	42,268	144,000	42,268	186,268
2023	147,000	39,748	147,000	39,748	186,748
2024	150,000	37,175	150,000	37,175	187,175
2025	153,000	34,550	153,000	34,550	187,550
2026-2030	814,000	131,381	814,000	131,381	945,381
2031-2035	897,000	57,392	897,000	57,392	954,392
2036	110,310	1,930	110,310	1,930	112,240
	<u>\$ 2,556,310</u>	<u>389,179</u>	<u>2,556,310</u>	<u>389,179</u>	<u>2,945,489</u>

On December 22, 2017, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$3,236,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements to the sanitary sewer system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2020, the City had drawn down \$2,964,310 of the authorized amount. An initiation fee of \$16,180 (0.5% of the authorized borrowing for the sewer revenue bonds) was charged by the IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City during the year ended June 30, 2020. A final repayment schedule has not yet been adopted; however, the payment schedule above is the interim schedule. During year ended June 30, 2020, the City paid principal of \$139,000 and interest of \$50,537 on the bonds under a preliminary repayment schedule.

The City has pledged future wastewater customer receipts, net of specified operating disbursements, to repay \$3,236,000 in sewer revenue bonds issued in December, 2017. The bonds are payable solely from wastewater customer net receipts and are payable through 2036. Annual principal and interest payment on the bonds are expected to require less than 65% of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,945,489. For the current year, principal and interest paid and total customer net receipts were \$189,537 and \$292,261, respectively.

The resolutions providing for the issuance of the wastewater revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a sewer revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) All funds remaining after payment of all maintenance and operating expenses can be used to pay for extraordinary repairs or replacements to the sewer system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.
- (e) All users of the system, including the City, are required to be charged for service.

The sewer revenue bond and interest sinking account is not backed by cash. Also, the City is not being charged for sewer service as required.

(4) **Operating Lease Agreement**

The City entered into a lease in May 2020 to lease copier equipment at a monthly minimum of \$97. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires in May 2025.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2020:

Year Ended June 30,	Amount
2021	\$ 1,086
2022	1,086
2023	1,086
2024	1,086
2025	996
	<u>\$ 5,340</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement were \$91.

(5) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$66,990.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$309,295 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0053413%, which was a decrease of 0.000329% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$86,561, \$77,659 and \$97,292, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.

Wage growth
(effective June 30, 2017)

3.25% per annum, based on 2.60% inflation
and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 703,786	309,295	(21,408)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$100,130 and plan members eligible for benefits contributed \$17,670 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	11
	<hr/>
Total	11
	<hr/> <hr/>

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation to employees at June 30, 2020, primarily relating to the General Fund, is \$28,871.

This liability has been computed based on rates of pay in effect at June 30, 2020.

(8) Operating Leases – Lessor

The City leases a medical building to the Eastern Iowa Sleep Center. The lease term is for 5 years beginning February 1, 2016. Rental income for the year ended June 30, 2020 totaled \$8,640.

The City leases farm land near the airport to the Belle Plaine Community School FFA. The lease term is on a year-to-year basis beginning March 1, 2020. The contract is for a 50/50 crop share. Income of \$4,333 was received during the year ended June 30, 2020.

The City is leasing a portion of its water tower site to Kirkwood Community College (College). The College has constructed a 100 foot tower for its use. The lease goes through July 31, 2039. The College agrees to pay the City \$1,200 in annual rent each year, subject to an annual escalation at the rate of 2% during the term of the agreement. The City received \$1,200 from the College in fiscal year 2020 from this lease.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 9,000
Special Revenue: Road Use Tax	General	57,555
Special Revenue: Local Option Sales Tax	General	34,021
	Capital Projects	25,000
		59,021
Special Revenue: Equipment	Capital Projects	7,308
Debt Service	Special Revenue: Urban Renewal Tax Increment	222,374
	Enterprise: Water	49,825
	Sewer	21,344
		293,543
Capital Projects	General	1,195
	Special Revenue: Aquatic Center Pledge Obligation	65,584
		66,779
Enterprise: Airport	General	9
Total		\$ 493,215

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to distribute the resources.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Balance

The Enterprise, Water Fund had a deficit balance of \$103,312 at June 30, 2020. The deficit balance was a result of significant ongoing repairs to the water system over the past four years. It is anticipated the deficit balance will be covered by rate increases in future years.

(12) Commitments

The City has entered into contracts for waste water treatment plant flow equalization and disinfection improvements. At June 30, 2020, approximately \$155,000 remains to be paid on these contracts. This project is expected to be completed in fiscal year 2021. The costs of this project will be financed with borrowed funds.

The City can borrow an additional \$271,690 from its sewer revenue bond that was issued on December 22, 2017. It is anticipated that most of this money will be borrowed to pay the costs associated with the waste water treatment plant flow equalization and disinfection improvements as discussed above.

(13) Contingency

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Belle Plaine, remains uncertain. To date, the outbreak has not created a material disruption to the operations of the City of Belle Plaine. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Belle Plaine's operations and finances.

(15) Subsequent Events

The City has evaluated all subsequent events through January 19, 2021, the date the financial statements were available to be issued.

In September 2020, the City issued \$1,195,000 in General Obligation Refunding Bonds, Series 2020A. The monies from this bond were used to refund a general obligation bond issue from 2015.

In August 2020, a derecho passed through the City causing damage to most properties within the City. As of audit report date, the City has received \$750,000 from their insurance company. The extent of costs to be incurred in the future to repair the damage to City properties are unknown, but the City expects most of these costs to be reimbursed by the insurance company or by the Federal Emergency Management Agency.

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Belle Plaine

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,038,195	-	1,038,195	1,016,665	1,016,665	21,530
Tax increment financing	161,128	-	161,128	147,283	147,283	13,845
Other city tax	222,639	-	222,639	197,096	197,096	25,543
Licenses and permits	19,020	-	19,020	12,223	12,223	6,797
Use of money and property	31,616	-	31,616	13,000	13,000	18,616
Intergovernmental	405,103	11,563	416,666	327,881	347,881	68,785
Charges for service	19,871	1,190,750	1,210,621	1,181,972	1,181,972	28,649
Special assessments	13,725	-	13,725	-	-	13,725
Miscellaneous	93,188	108,519	201,707	57,000	57,000	144,707
Total receipts	2,004,485	1,310,832	3,315,317	2,953,120	2,973,120	342,197
Disbursements:						
Public safety	519,928	-	519,928	433,477	548,730	28,802
Public works	304,899	-	304,899	232,532	358,048	53,149
Health and social services	11,988	-	11,988	5,250	13,250	1,262
Culture and recreation	294,614	-	294,614	299,024	323,322	28,708
Community and economic development	60,220	-	60,220	1,000	64,431	4,211
General government	280,141	-	280,141	218,209	300,209	20,068
Debt service	416,932	-	416,932	775,347	534,599	117,667
Capital projects	72,737	-	72,737	-	65,000	(7,737)
Business type activities	-	1,126,347	1,126,347	1,176,270	1,374,636	248,289
Total disbursements	1,961,459	1,126,347	3,087,806	3,141,109	3,582,225	494,419
Excess (deficiency) of receipts over (under) disbursements	43,026	184,485	227,511	(187,989)	(609,105)	836,616
Other financing sources, net	76,160	(71,160)	5,000	-	-	5,000
Change in fund balances	119,186	113,325	232,511	(187,989)	(609,105)	841,616
Balances beginning of year	1,287,214	125,954	1,413,168	3,623,949	3,623,949	(2,210,781)
Balances end of year	\$ 1,406,400	239,279	1,645,679	3,435,960	3,014,844	(1,369,165)

See accompanying independent auditor's report.

City of Belle Plaine

Notes to Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$441,116. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, public works, health and social services, community and economic development, general government and the capital projects functions prior to the June 29, 2020 budget amendment. During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the capital projects function.

City of Belle Plaine

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.005341%	0.005671%	0.005377%	0.005906%	0.005268%	0.005577%
City's proportionate share of the net pension liability	\$ 309	359	358	372	260	221
City's covered payroll	\$ 660	650	614	643	569	634
City's proportionate share of the net pension liability as a percentage of its covered payroll	46.82%	55.23%	58.31%	57.85%	45.69%	34.88%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Belle Plaine

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 67	64	60	57	60	53	59	57	52	49
Contributions in relation to the statutorily required contribution	(67)	(64)	(60)	(57)	(60)	(53)	(59)	(57)	(52)	(49)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 697	660	650	614	643	569	634	618	606	328
Contributions as a percentage of covered payroll	9.61%	9.70%	9.23%	9.28%	9.33%	9.31%	9.31%	9.06%	8.58%	7.80%

See accompanying independent auditor's report.

City of Belle Plaine

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Belle Plaine

Schedule 1

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue											
	Urban Renewal Tax Increment	Local Option Sales Tax	Aquatic Center Pledge Obligation	Police Forfeiture	Medical Building	Community Center	Economic Development	Equipment	Partners for Beautification	Prairie Park	Bleachers at Belle Plaine	Total
Receipts:												
Property tax	\$ -	-	-	-	-	8,444	-	-	-	-	-	8,444
Tax increment financing	161,128	-	-	-	-	-	-	-	-	-	-	161,128
Other city tax	-	88,076	-	-	-	-	44,105	45,930	-	-	-	178,111
Use of money and property	-	-	-	-	8,640	3,760	-	-	-	-	-	12,400
Intergovernmental	2,286	-	-	-	-	7,858	-	-	-	-	-	10,144
Charges for service	-	-	-	-	-	-	25	-	-	-	-	25
Miscellaneous	-	-	-	4,130	843	-	-	-	-	-	-	4,973
Total receipts	163,414	88,076	-	4,130	9,483	20,062	44,130	45,930	-	-	-	375,225
Disbursements:												
Operating:												
Public safety	-	20,936	-	2,598	-	-	-	56,773	-	-	-	80,307
Public works	-	-	-	-	-	-	-	5,410	-	-	-	5,410
Health and social services	-	-	-	-	7,668	-	-	-	-	-	-	7,668
Culture and recreation	-	4,223	-	-	-	15,700	-	-	72	119	-	20,114
Community and economic development	-	19,750	-	-	-	-	39,797	-	-	-	-	59,547
General government	-	-	-	-	3,204	-	-	-	-	-	-	3,204
Capital projects	-	59,021	-	-	-	-	-	-	-	-	-	59,021
Total disbursements	-	103,930	-	2,598	10,872	15,700	39,797	62,183	72	119	-	235,271
Excess (deficiency) of receipts over (under) disbursements	163,414	(15,854)	-	1,532	(1,389)	4,362	4,333	(16,253)	(72)	(119)	-	139,954
Other financing sources (uses):												
Sale of capital assets	-	-	-	-	-	-	5,000	-	-	-	-	5,000
Transfers in	-	59,021	-	-	-	-	-	7,308	-	-	-	66,329
Transfers out	(222,374)	(9,000)	(65,584)	-	-	-	-	-	-	-	-	(296,958)
Total other financing sources (uses)	(222,374)	50,021	(65,584)	-	-	-	5,000	7,308	-	-	-	(225,629)
Change in cash balances	(58,960)	34,167	(65,584)	1,532	(1,389)	4,362	9,333	(8,945)	(72)	(119)	-	(85,675)
Cash balances beginning of year	59,506	101,151	65,584	2,887	29,405	73,645	51,158	38,030	817	897	600	423,680
Cash balances end of year	\$ 546	135,318	-	4,419	28,016	78,007	60,491	29,085	745	778	600	338,005
Cash Basis Fund Balances												
Restricted for:												
Urban renewal purposes	\$ 546	-	-	-	-	-	-	-	-	-	-	546
Other purposes	-	135,318	-	4,419	28,016	78,007	60,491	29,085	745	778	600	337,459
Total cash basis fund balances	\$ 546	135,318	-	4,419	28,016	78,007	60,491	29,085	745	778	600	338,005

See accompanying independent auditor's report.

City of Belle Plaine

Schedule 2

Schedule of Indebtedness

Year Ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Economic development, Series 2014A	April 15, 2014	2.60%	\$ 250,000	135,000	-	26,000	109,000	3,510	-
Building restoration, Series 2014B	April 15, 2014	3.90%	200,000	112,000	-	21,000	91,000	4,368	-
Refunding, Series 2015A	April 23, 2015	1.10-3.00%	1,715,000	1,355,000	-	125,000	1,230,000	35,137	-
Refunding, Series 2016A	November 1, 2016	1.70%	1,245,000	1,245,000	-	130,000	1,115,000	21,165	-
Water improvement note, Series 2018	November 1, 2018	3.75%	227,000	182,000	-	43,000	139,000	6,825	-
Total				\$ 3,029,000	-	345,000	2,684,000	71,005	-
Revenue Bonds:									
Sewer	December 22, 2017	1.75%	\$ 3,236,000	2,695,310	-	139,000	2,556,310	50,537	-

See accompanying independent auditor's report.

Bond and Note Maturities

June 30, 2020

General Obligation Bonds and Notes											
Year Ending June 30,	Economic Development, Series 2014A		Building Restoration, Series 2014B		Refunding, Series 2015A		Refunding, Series 2016A		Water Improvement Note, Series 2018		Total
	Issued April 15, 2014		Issued April 15, 2014		Issued April 23, 2015		Issued November 1, 2016		Issued November 1, 2018		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2021	2.60%	\$ 26,000	3.90%	\$ 22,000	2.00%	\$ 125,000	1.70%	\$ 130,000	3.75%	\$ 45,000	348,000
2022	2.60%	27,000	3.90%	22,000	2.30%	130,000	1.70%	135,000	3.75%	46,000	360,000
2023	2.60%	28,000	3.90%	23,000	2.30%	130,000	1.70%	135,000	3.75%	48,000	364,000
2024	2.60%	28,000	3.90%	24,000	2.55%	130,000	1.70%	140,000	-	-	322,000
2025	-	-	-	-	2.55%	135,000	1.70%	140,000	-	-	275,000
2026	-	-	-	-	3.00%	140,000	1.70%	145,000	-	-	285,000
2027	-	-	-	-	3.00%	145,000	1.70%	145,000	-	-	290,000
2028	-	-	-	-	3.00%	145,000	1.70%	145,000	-	-	290,000
2029	-	-	-	-	3.00%	150,000	-	-	-	-	150,000
		<u>\$ 109,000</u>		<u>\$ 91,000</u>		<u>\$ 1,230,000</u>		<u>\$ 1,115,000</u>		<u>\$ 139,000</u>	<u>2,684,000</u>

Revenue Bonds			
Sewer			
Issued December 22, 2017			
Year Ending June 30,	Interest Rates	Amount	Total
2021	1.75%	\$ 141,000	141,000
2022	1.75%	144,000	144,000
2023	1.75%	147,000	147,000
2024	1.75%	150,000	150,000
2025	1.75%	153,000	153,000
2026	1.75%	158,000	158,000
2027	1.75%	159,000	159,000
2028	1.75%	162,000	162,000
2029	1.75%	166,000	166,000
2030	1.75%	169,000	169,000
2031	1.75%	172,000	172,000
2032	1.75%	176,000	176,000
2033	1.75%	179,000	179,000
2034	1.75%	183,000	183,000
2035	1.75%	187,000	187,000
2036	1.75%	110,310	110,310
		<u>\$ 2,556,310</u>	<u>2,556,310</u>

See accompanying independent auditor's report.

City of Belle Plaine

Schedule 4

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$1,038,195	824,570	753,210	982,323	1,019,238	926,505	946,465	908,889	972,432	951,931
Tax increment financing	161,128	144,256	156,228	169,235	125,134	119,652	126,176	128,782	120,257	10,286
Other city tax	222,639	190,949	177,273	200,125	205,126	212,842	195,530	214,697	172,085	180,412
Licenses and permits	19,020	18,449	12,277	12,682	14,513	16,547	10,182	12,761	16,061	17,094
Use of money and property	31,616	40,266	56,094	53,445	50,616	33,667	25,543	25,750	44,348	62,557
Intergovernmental	405,103	407,005	372,081	355,304	412,897	407,528	609,131	486,109	1,253,905	391,358
Charges for service	19,871	42,217	45,872	49,003	2,868	37,116	79,675	72,834	123,699	116,062
Special assessments	13,725	7,471	12,425	-	1,488	13,153	14,804	29,282	21,380	31,318
Miscellaneous	93,188	99,850	76,995	437,056	248,518	170,065	166,279	186,020	343,404	447,810
Total	<u>\$2,004,485</u>	<u>1,775,033</u>	<u>1,662,455</u>	<u>2,259,173</u>	<u>2,080,398</u>	<u>1,937,075</u>	<u>2,173,785</u>	<u>2,065,124</u>	<u>3,067,571</u>	<u>2,208,828</u>
Disbursements:										
Operating:										
Public safety	\$ 519,928	463,511	471,310	434,238	402,871	338,966	351,456	337,811	331,335	372,683
Public works	304,899	520,838	433,069	326,568	312,060	323,838	354,695	380,717	417,712	399,783
Health and social services	11,988	4,320	7,080	5,250	7,266	6,362	7,969	8,276	8,640	9,228
Culture and recreation	294,614	373,075	368,999	398,537	432,787	367,233	369,894	348,600	375,258	368,389
Community and economic development	60,220	51,495	65,819	26,874	67,720	31,349	66,419	71,664	118,421	236,419
General government	280,141	271,869	290,283	291,394	282,342	289,391	243,310	242,149	248,631	216,510
Debt service	416,932	1,716,618	1,866,924	548,523	525,666	496,926	433,489	462,264	482,522	387,011
Capital projects	72,737	14,008	197,662	246,747	75,705	369,814	694,087	345,547	2,034,703	952,735
Total	<u>\$1,961,459</u>	<u>3,415,734</u>	<u>3,701,146</u>	<u>2,278,131</u>	<u>2,106,417</u>	<u>2,223,879</u>	<u>2,521,319</u>	<u>2,197,028</u>	<u>4,017,222</u>	<u>2,942,758</u>

See accompanying independent auditor's report.



FALLER, KINCHELOE & Co, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 19, 2021. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Belle Plaine Fire Department Foundation, Inc. and the Belle Plaine Community Library Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-20, I-B-20, I-C-20 and I-D-20 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

January 19, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – collecting, depositing, posting and reconciling.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (5) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing, and distributing.
- (7) Journal Entries – preparing and journalizing.
- (8) Financial reporting – preparing and reconciling.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

City of Belle Plaine

Schedule of Findings

Year ended June 30, 2020

I-B-20 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion - Response acknowledged.

I-C-20 Financial Reporting

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - Material amounts of receipts and disbursements were not properly recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Cause - City policies do not require and procedures have not been established to require independent review of receipt and disbursement transactions posted to the accounting records to ensure the financial statements are accurate and reliable

Effect - Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City's financial statements were necessary.

Recommendation - The City should implement procedures to ensure receipts and disbursements are properly recorded in the City's financial statements.

City of Belle Plaine
Schedule of Findings
Year ended June 30, 2020

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

I-D-20 Library Receipts

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – In some cases, for Library receipts, an immediate record of receipt was not always completed.

Cause – City policies do not require and procedures have not been established to ensure an immediate record of receipt is completed for all monies received.

Effect – Lack of City policies and procedures resulted in City employees not maintaining an immediate record of receipt for all receipts.

Recommendation – The City should establish procedures to ensure an immediate record of receipt needs to be completed for all monies received for the Library.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Belle Plaine
Schedule of Findings
Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget – During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, public works, health and social services, community and economic development, general government and the capital projects functions prior to the June 29, 2020 budget amendment. Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-B-20 Questionable Disbursements – No disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense – No disbursements of City of Belle Plaine (City) money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-20 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not. We noted one instance in which the City Council meetings were not timely published. Chapter 372.13(6) of the Code of Iowa requires the minutes of all City Council proceedings to be published within fifteen days of the meeting.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa in relation to the City Council publications.

Response – For the publication in question, due to a holiday, the minutes were not timely published. We will implement this recommendation in the future.

Conclusion – Response acknowledged.

II-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-I-20 Sewer Revenue Bonds – The following instances of non-compliance with the sewer revenue bond resolutions were noted.

- The sewer revenue bond resolutions require all users of the system, including the City, be charged for usage. The City is not currently charged for sewer usage.

City of Belle Plaine

Schedule of Findings

Year ended June 30, 2020

- The sewer revenue bond resolutions require the City to make sufficient monthly transfers to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. While the City properly establish a sewer revenue bond sinking account as required, this account is not backed by cash since the cash balance in the Enterprise, Sewer Fund at June 30, 2020 is only \$1,628.

Recommendation - The City should ensure all City departments pay for sewer usage. In addition, the City should ensure the balance in the sewer revenue bond sinking account is backed by cash.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

II-J-20 Financial Condition – The Enterprise, Water Fund had deficit balance of \$103,212 at June 30, 2020.

In addition, the Special Revenue, Local Option Sales Tax Fund, the Special Revenue, Library Improvements Fund, the Special Revenue, Medical Building Fund, the Special Revenue, Community Center Fund, the Special Revenue, Economic Development Fund, the Capital Projects Fund, the Enterprise, Storm Water Fund and the Enterprise, Yard Waste Fund all had cash balances at June 30, 2020 in excess of one years disbursements in the respective funds. As a result, the balances in these funds may be excessive.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position. In addition, the City should review those funds with excess balances and consider reducing the balances in these funds.

Response – The City will investigate alternatives to eliminate the deficit in the fund noted above in order to return that fund to a sound financial position. In addition, we will consider methods to reduce the excessive fund balances in the other funds.

Conclusion – Response acknowledged.

II-K-20 Property/Liability Insurance – The City levies a tax to pay for liability insurance coverage. The proceeds of this tax are used to pay all the costs associated with liability insurance coverage. The costs incurred by the water and sewer operations for liability insurance coverage have been included in the tax levy for liability insurance coverage.

Recommendation – Costs incurred for liability insurance coverage for the water and sewer operations should be charged to those funds and not be included in the tax levy.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-L-20 Debt Service Fund – The City paid some general obligation debt principal and interest payments from the Enterprise, Water Fund. Chapter 384.4 of the Code of Iowa requires that general obligation debt principal and interest be paid from the Debt Service Fund,

Recommendation – The City should implement procedures to ensure all general obligation debt principal and interest payments are made from the Debt Service Fund as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

City of Belle Plaine

Schedule of Findings

Year ended June 30, 2020

- II-M-20 Sales Tax – We identified where the City paid State of Iowa sales tax on two purchases. As a governmental entity, the City is exempt from paying sales tax to the State of Iowa.

Recommendation – The City should implement procedures to ensure sales tax is not paid to the State of Iowa on future purchases.

Response – This was an oversight on our part. We will implement this in the future.

Conclusion – Response acknowledged.

- II-N-20 Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report include a "summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures..." The 2020 Annual Financial Report did not accurately report the City's outstanding debt. The ending debt balances amounts on the Annual Financial Report were overstated by approximately \$207,000 compared to the City's accounting records.

Recommendation – The City should ensure the Annual Financial Report transfer amounts agree to the City's records.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-O-20 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.20 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification. We noted that the City did not certify approximately \$948,000 to the County Auditor for general obligation debt that the City plans to pay with tax increment financing funds.

Recommendation – The City should consult TIF legal counsel to determine the disposition of this issue. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa.

Response – The City will consult TIF legal counsel, make corrections to the TIF certification and ensure the future certifications are in compliance with the Code of Iowa requirements. The City Administrator will ensure compliance when future TIF certifications are made.

Conclusion – Response acknowledged.

- II-P-20 TIF Transfers – During the year, the City made total transfers of \$222,374 from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund. However, the City was unable to determine the propriety of \$71,209 of the total \$222,374 transferred. As a result, we were unable to determine the propriety of the \$71,209 transfer.

Recommendation – The City should consult legal counsel regarding the disposition of this matter.

City of Belle Plaine

Schedule of Findings

Year ended June 30, 2020

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-Q-20 Annual Urban Renewal Report (AURR) – The AURR was properly approved and certified to the Iowa Department of Management on or before December 1. However, we noted that the amounts reported on the AURR Levy Authority Summary Form for the beginning and ending outstanding debt could not be supported by City records.

Recommendation - The City should ensure the amounts reported on the AURR Levy Authority Summary Form are supported by the City's records.

Response – These items will be corrected on next year's report.

Conclusion – Response acknowledged.